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No. 87-125

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1987

NEC ELECTRONICS INC.,
Petitioner,

VS.

CAL CIRCUIT ABCO, INC., et al.,

Respondents.

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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QUESTION PRESENTED

Do Lanham Act Sections 32 and 43, 15 U.S.C. §§ 1114 and 1125, bar parallel importation of genuine goods where the foreign trademark owner assigns trademark rights to its wholly-owned United States subsidiary?

DESIGNATION OF CORPORATE RELATIONSHIPS

Pursuant to Supreme Court Rule 28.1, respondent Cal Circuit ABCO, Inc. identifies its parent companies, subsidiaries and affiliates as follows:

Affiliated Companies:

Packard Bell Electronics
Cal ABCO (U.K.) Ltd.

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STATEMENT OF THE CASE

Respondent Cal Circuit ABCO, Inc. ("Cal ABCO") imports into the United States, and sells, electronic components manufactured and trademarked by various foreign companies. Among such components are computer chips manufactured by NEC Corporation, a Japanese corporation which is the largest manufacturer of computer chips in the world. E.R. 30:1049. These computer chips bear the mark "NEC," placed thereon by NEC Corporation.

Petitioner NEC Electronics Inc. ("NECEL") is a California corporation wholly owned by, and sharing a majority of common directors with, NEC Corporation. E.R. 30:1222. NECEL is one of forty-two affiliated companies

through which NEC Corporation directly sells its products to various parts of the world. Under an oral contract with NEC Corporation, NECEL claims to have been the "sole authorized source" of NEC computer chips in the United States since 1975 (E.R. 30:1148-49), although it was not until late 1983 that NEC Corporation assigned to NECEL the United States rights to the "NEC" trademark. E.R. 1:29-31. Since the date of that assignment, however, NEC Corporation has itself continued to sell and to promote its computer chips in the United States. E.R. 36:1579, 37:1586.

Cal ABCO exists, and has been successful, only because NEC Corporation sells its computer chips abroad at prices substantially lower than the prices charged in the United States by NECEL, its own subsidiary. Indeed, the court below stated that NEC Corporation may have established a "worldwide discriminatory pricing scheme."

The only question involved at this stage of the proceeding is whether the federal trademark laws can be used by NECEL, an American subsidiary of a foreign manufacturer with nominal title to its parent's mark, to put Cal ABCO, a parallel importer of genuine goods bearing a genuine trademark, out of business. For the reasons stated below, it is submitted that the trademark laws cannot be used, or abused, in such a way, and that the Ninth Circuit correctly decided the issue against NECEL in accordance with the law.

REASONS FOR DENYING THE PETITION

I

It is Not the Function of This Court to Provide Potential Plaintiffs With an Exhaustive Treatise on Their Federal Rights and Remedies

In Part I of its petition, NECEL points out that this Court recently granted a petition for writ of certiorari in *Coalition to Preserve the Integrity of American Trademarks v. United States,* 790 F.2d 903 (D.C. Cir. 1986) ("COPIAT"), to resolve a conflict concerning the validity of certain regulations of the United States Customs Service permitting the parallel importation of genuine goods when, among other things, the foreign and United States owners of the same trademark are subject to common ownership or control. *COPIAT* held that these regulations are inconsistent with Section 526 of the Tariff Act of 1930, 19 U.S.C. § 1526.

Based upon the assertion that "numerous" American trademark owners who are affiliated with foreign manufacturers of "gray market" goods are seeking relief from "gray marketeering" by proceeding under Sections 32 and 43 of the Lanham Act, or Section 526 of the Tariff Act, or both, NECEL argues that this Court's resolution of the issues raised in *COPIAT* will not "fully resolve" the question of what relief is available to such American trademark owners.

In Part II of its petition, NECEL asks for "guidance" from this Court as to what federal statutory relief is available to prevent parallel importation, on the grounds that parallel importers will otherwise continue to take advantage of the significant price differentials between the same goods sold here and abroad.

It is odd, to say the least, that NECEL now takes the position that the issues presented by this case are "directly related" to those raised in *COPIAT*. For reasons best known to itself, NECEL originally chose *not* to seek relief against Cal ABCO under Section 526 of the Tariff Act, and its belated motion to add such a claim was properly denied by the trial court. That ruling was not appealed by NECEL.

In its brief to the Ninth Circuit, NECEL strenuously took issue with Cal ABCO's discussion of Section 526 of the Tariff Act, and the implementing regulations that are the subject of *COPIAT,* stating at one point (page 40) that "The Customs regulation has no applicability whatsoever to private trademark actions under Lanham Act sections 1114 and 1125, such as this one." Earlier in the same brief (page 5) NECEL stated that:

> "... the U.S. Customs Service seizure regulations promulgated pursuant to it [Section 526] (19 C.F.R. section 133.21), and the case law interpreting and applying the Act and regulations, are not implicated in this appeal. As will be discussed ..., Cal ABCO's opening brief confuses and intermingles two distinct bodies of law, one of which has no bearing on the case at bar."

It seems as if the serendipitous granting of certiorari in *COPIAT* has caused NECEL to reverse its position; what were "two distinct bodies of law" are now "directly related."

In a practical sense, this Court's decision in *COPIAT* will resolve the issues with which NECEL is concerned. If this Court determines that the Customs regulations are valid, then such holding would be consistent with the Ninth Circuit's decision that a nominal trademark owner

that is a wholly-owned subsidiary of the foreign markholder may not achieve a monopoly in the product by barring parallel importation. If this Court affirms *COPIAT* and finds the regulations invalid, then NECEL may obtain the relief it desires through Customs and without judicially rewriting trademark law and the concept of genuineness.

More fundamentally, however, NECEL is improperly asking this Court to act as an advocate rather than as a decision-maker. Even though the gray market exists only because of a price structure that may or may not be intentional, NECEL believes that parallel importation is inherently deceptive or otherwise unlawful, and begs this Court for an exhaustive treatise on the federal remedies that may be available to stop it. It is not the function of any court, particularly this Court, either to correct the tactical or strategic error of a party, or to provide general legal advice to that party or to a potential class of parties. The proper function of this Court, in this case, is to determine whether the Ninth Circuit has rendered a decision in conflict with another circuit on the same matter, has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision, or has decided an important question of federal law that has not been settled by this Court or that conflicts with prior decisions of this Court. Supreme Court Rule 17.1. It is submitted that none of these factors is present in this case.

II

The Ninth Circuit Correctly Decided This Case, Based Upon the Language of the Lanham Act and Established Precedent

By its very language, the Lanham Act applies only to counterfeit goods or trademarks. The language of Section 1114(a) and (b) addresses only the "reproduction, counterfeit, copy, or colorable imitation" of a registered trademark, while Section 1125(a) prohibits the "false designation of origin, or any false description or representation" of goods or services.

The authorities are consistent in the Ninth Circuit, and elsewhere, that under the Lanham Act there can be no trademark infringement by the importation of genuine goods.[1]

There is one well-known exception to this rule, that crafted in *A. Bourjois & Co., Inc. v. Katzel,* 260 U.S. 689, 43 S.Ct. 244, 67 L.Ed. 464 (1923), followed in the Ninth Circuit by *Model Rectifier Corp. v. Takachiho Int'l Inc.,* 221 U.S.P.Q. 502 (9th Cir. 1983), *aff'g Model Rectifier Corp. v. Takachiho Int'l Inc.,* 220 U.S.P.Q. 508 (C.D. Cal. 1982),[2]

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[1] *See e.g., Olympus Corporation v. United States,* 792 F. 2d 315 (2d Cir. 1986); *Bell & Howell: Mamiya Co. v. Masel Supply Co. Corp.,* 719 F.2d 42 (2d Cir. 1983); *DEP Corp. v. Interstate Cigar Co. Inc.,* 622 F.2d 621 (2d Cir. 1980); *Ballet Makers, Inc. v. United States Shoe Corp.,* 633 F. Supp. 1328 (S.D.N.Y. 1986); *Parfums Stern, Inc. v. U.S. Customs Service,* 575 F. Supp. 416 (S.D. Fla. 1983). The Ninth Circuit also applied this principle in a state law trademark infringement case, *Monte Carlo Shirt, Inc. v. Daewoo International (America) Corp.,* 707 F.2d 1054 (9th Cir. 1983).

[2] Although the *Model Rectifier* decisions were unpublished, and therefore neither regarded as precedent nor properly citable, they were relied upon by the District Court in this case, and they are cited by petitioner herein.

which provides that when an independent American company buys a foreign trademark, registers it, and becomes its absolute owner in the United States, then that United States trademark is protectable against foreign imports bearing the same trademark.

In *Bourjois,* A. Bourjois & Cie, and E. Werthamier & Cie, doing business in both France and the United States, sold to plaintiff A. Bourjois & Company, a United States corporation, "for a large sum their business in the United States, with their good will and their trade-marks registered in the Patent Office." 260 U.S. at 690. The trademarks were "Java" and "Bourjois" and related to face powder; the plaintiff re-registered the marks. Plaintiff built up a large business in the United States selling face powder which was bought from the French manufacturer, imported to the United States and packaged in the United States in boxes bearing the "Java" and "Bourjois" trademarks.

The defendant began to import French face powder from France bearing the "Java" and "Bourjois" trademarks and plaintiff sued to enjoin under Sections 17 and 19 of the Trademark Act, predecessors to Section 42 of the Lanham Act, 15 U.S.C. § 1124.

Prior to *Bourjois,* the law had been consistent that parallel importation of genuine goods was not enjoinable. *Apollinaris Co., Ltd. v. Scherer,* 27 F. 18 (C.C.S.D.N.Y. 1886); *Russia Cement Co. v. Frauenhar,* 133 F. 518 (2nd Cir. 1904); *Fred Gretsch Mfg. Co. v. Schoening,* 238 F. 780 (2d Cir. 1916). These decisions generally were predicated on what is now called the "Doctrine of Exhaustion by First Sale," which means that once the original trademark owner affixes the trademark and sells the product, that product can be resold by anyone without fear of trademark violation. The Second Circuit in *Bourjois* relied

on previous authority and refused to bar the parallel importation. This Court reversed.

In reversing, however, this Court did not change the law; rather, it created an exception for the American company that paid "a large sum" for a business with foreign trademarks as one of the assets. That exception applies when an independent company acquires for consideration all of the rights, including goodwill in a foreign trademark, to such an extent that "the [foreign] manufacturers could not have come to the United States and have used their old marks." The rationale created by Mr. Justice Holmes is that the U.S. company is now an independent owner of a United States trademark, not a foreign trademark, and that the United States trademark takes on a new and independent life to the point that, as to the United States, only the goods packaged under the United States trademark are "genuine" goods. Under this reasoning, the goods packaged by U.S. Bourjois would not have to be the French face powder; any face powder (or anything else for that matter) could have been packaged by the U.S. trademark owner and labeled "Bourjois." The Court makes this quite clear in the following statement:

> "It is said that the trade-mark here is that of the French house and truly indicates the origin of the goods. But that is not accurate. It is the trade-mark of the plaintiff only in the United States and indicates in law, and, it is found, by public understanding, that the goods come from the plaintiff although not made by it. It was sold and could only be sold with the good will of the business that the plaintiff bought." 260 U.S. at 692.

The above quote makes at least three points:

(1) The "Bourjois" and "Java" trademarks became those *only* of the United States company and designated *only* the United States company's goods as "genuine" in the United States;

(2) Why? Because the trademark "was *sold*," and;

(3) "Could *only* be sold with the *goodwill* of the business the plaintiff bought."

Thus the rule still holds: the trademark laws do not provide for the exclusion of "genuine" goods. It is just that the foreign-made goods are no longer "genuine" in the context of a complete transfer of the foreign trademark to an independent United States owner for value.

Under the *Bourjois* rationale, there are simply no situations where a wholly-owned subsidiary can build up "independent goodwill" in a trademark still being used by its foreign parent, primarily because the subsidiary has no meaningful "independence" and the "independent" goodwill can be taken by the parent in an instant by dissolution.

There is no conflict between two recent Ninth Circuit decisions, *Monte Carlo Shirt v. Daewoo International (America) Corp.*, 707 F.2d 1054 (9th Cir. 1983) and *Model Rectifier, supra*, on the critical question of whether consumer confusion is possible where genuine goods are sold through parallel modes of importation. There is also no conflict between either of those decisions and the Ninth Circuit's opinion in this case.

In *Monte Carlo* the plaintiff, a New York corporation, had contracted with a South Korean clothing manufacturer to make men's dress shirts bearing the Monte Carlo label. After the plaintiff rejected the shirts when they

arrived too late for the Christmas season, the American subsidiary of the South Korean company bought up the stock and then unloaded it to discount retailers, Monte Carlo labels intact, without the plaintiff's consent. The Ninth Circuit affirmed a grant of summary judgment for the defendants on a state law claim for trademark infringement, holding that defendants' activity could not constitute infringement even though it led consumers mistakenly to believe the plaintiff had authorized discount retailers to sell its shirts. 707 F.2d at 1057-58. The court reasoned that the genuine nature of the goods — which had been bought from the plaintiff's foreign manufacturer and were unaltered — eliminated the possibility of public confusion over the source of the goods. The Ninth Circuit stated that:

> "Buyers of the product, *although perhaps mistaken about how the product came into the retailer's hands, get precisely what they bargain for.*" 707 F.2d at 1057, n.3.
>
> "*Monte Carlo had no action in trademark.* A showing of likely buyer confusion as to the source, origin, or sponsorship of goods is part of a cause of action for infringement of a registered trademark. *Carson Mfg. Co. v. Carsonite International Corp.*, 686 F.2d 665, 669-70 (9th Cir. 1981), *cert. denied*, ____ U.S. ____, 103 S.Ct. 1499, 75 L.Ed.2d 930 (1983); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 821-22 (9th Cir. 1982); *Lindy Pen Co. v. Bic Pen Corp.*, 550 F. Supp. 1056, 1060-61 (C.D.Cal. 1982) . . . The possibility of confusion is one that exists between distinct products that are similar in appearance and are marked deceptively.
>
> Accordingly, the injury that is remedied by the trademark cause of action is public confusion as to the

> source of the goods. *Shakey's Inc. v. Covalt*, 704 F.2d 426 (9th Cir. 1983); *Parson Mfg. Co.*, 686 F.2d at 670-71 . . . No such confusion was possible in this case. The goods sold by Daewoo were not imitations of Monte Carlo shirts; *they were the genuine product*, planned and sponsored by Monte Carlo and produced for it on contract for future sale. *The shirts were not altered or changed from the date of their manufacture to the date of their sale. Their source was Monte Carlo; the absence of Monte Carlo's authorization of the discount retailers to sell does not alter this* . . . [I]t would be anomalous if 'a trademark infringement action would lie where the [defendant's product] is in fact genuine and not spurious.' " 707 F.2d at 1058. [Emphasis added.]

In this case, it was *admitted* by NECEL that the goods were genuine and there was *no* evidence of any alteration or change from the date of the manufacture of the goods to the date of their sale.

In *Model Rectifier*, the domestic trademark owner and plaintiff, MRC, was an American company completely unrelated to the foreign manufacturer, Tamiya, from whom MRC imported model automobile kits for sale in this country. The assignment of Tamiya's U.S. trademark rights to MRC was negotiated at arm's length, with MRC required to provide substantial consideration (a guarantee to purchase $5 million worth of model hobby kits from Tamiya over a two-year period and to undertake a certain level of promotional expenditures) in order to keep its assignment and exclusive distributorship in force.

Model Rectifier is nothing more than a recognition of, and adherence to, the *Bourjois* exception in order to protect the benefit of the bargain by which a foreign

trademark was transferred to an independent American company.

By contrast to the case at bar, the plaintiff in *Model Rectifier*: (1) was *independent* of the foreign manufacturer, (2) paid substantial monetary consideration, (3) secured the entire goodwill, and (4) obtained the legal and practical power to exclude the manufacturer *itself* from selling the goods in the United States. Hence, MRC was entitled to protect the benefit of its bargain under the *Bourjois* exception. NECEL can demonstrate none of the requirements essential to the holding in *Model Rectifier*: (1) NECEL is *not* independent of its parent, (2) NECEL paid *no* monetary consideration, (3) NEC Corporation did not transfer the entire goodwill to NECEL, since NEC Corporation continues to promote and sell the same goods in the United States, and (4) NECEL has no legal or practical power to exclude its own parent from continuing to use the NEC trademark in the United States for the goods at issue.

NECEL relies heavily on two district court cases which apply traditional Lanham Act protection to the parallel importation of genuine goods, *Weil Ceramics & Glass, Inc. v. Dash,* 618 F. Supp. 700 (D.N.J. 1985) and *Osawa & Co. v. B&H Photo,* 589 F. Supp. 1163 (S.D.N.Y. 1984). On the surface, *Weil* is clearly wrong because it flatly rejects as "incorrect" the Ninth Circuit's holding in *Monte Carlo* that genuine goods do not cause confusion, 618 F. Supp. at 706, and thus repudiates the law of the Ninth Circuit. However, even *Weil* may be explicable in terms of *Bourjois:* The court may well have been swayed by the fact that much of Weil's development of the Lladro trademark occurred while it was an independent company, and thus it would have been entitled to protection under *Bourjois.*

Osawa differs from this case in two respects: First, *Osawa* involved importation in defiance of a Customs exclusion order issued under Section 526 of the Tariff Act. More important, it represents the misapplication of the *Bourjois* rationale to a parent-subsidiary situation.[3] In contrast, the Ninth Circuit properly applied *Bourjois* in *Model Rectifier* by recognizing the distinction between a parent-subsidiary relationship and the sale of trademark rights to a truly independent company.

III

The Opinion Below Is Not in Conflict with the Second Circuit's Recent Decisions in *Original Appalachian* and *El Greco Leather Products*

NECEL asserts, in Part V of its petition, that the Ninth Circuit's opinion in this case — that the Lanham Act "does not reach the sale of gray market goods" — is in direct conflict with the Second Circuit's recent decision in *Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.*, 816 F.2d 68 (2d Cir. 1987). This assertion has no merit, because that decision did not involve the importation of genuine goods.

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[3] The recent Second Circuit decision in *Olympus Corporation, supra*, casts doubt on whether *Osawa* would have been sustained had it been appealed. In *Olympus*, the Second Circuit upheld the Customs regulation which allows parallel importation of genuine goods, such as those imported by Cal ABCO, where the foreign manufacturer and United States trademark holder are parent and subsidiary. The Second Circuit also upheld the district court's dismissal of the American subsidiary's claim under Section 42 of the Lanham Act, 15 U.S.C. § 1124, stating that: "The plain language of the statute does not bar importation if the goods are genuine, only if they 'copy or simulate' a trademark." 792 F.2d at 321.

Plaintiff in *Original Appalachian* was a Georgia manufacturer of hand-sewn soft-sculpture "Cabbage Patch Kids" dolls, marketed through so-called "adoption centers" located in specialty and finer department stores in the United States. Purchasers of the dolls received "birth certificates" and "adoption papers" to be filled out by the purchaser and returned to plaintiff for entry into a computer for the purpose of generating a first anniversary "birthday card."

Plaintiff also licensed Hartford-based Coleco Industries, Inc., to manufacture, promote and distribute within the United States a second version of its Cabbage Patch Kids dolls, which were smaller, had vinyl heads, were mass-produced and packaged in boxes, and sold for less than half the cost of plaintiff's soft-sculpture dolls. Coleco, however, used virtually the same "adoption" marketing device as plaintiff, and had invested so much in advertising that the Cabbage Patch Kids trademark had become famous and associated with Coleco's product.

Plaintiff additionally licensed Jesmar, Inc., a Spanish firm, to manufacture and distribute Cabbage Patch Kids dolls in Spain. Jesmar agreed, under the license, not to make, sell, or authorize any sale of its dolls outside of Spain, and to sell only to purchasers who would agree not to use or resell the dolls outside of Spain. It is unclear from the opinion whether the Spanish dolls were of a third variety in physical appearance or were similar to either plaintiff's dolls or to Coleco's dolls. In any event, the Spanish dolls differed from those manufactured in the United States in that the "adoption papers" were in Spanish.

The Second Circuit affirmed the granting of a permanent injunction against defendant Granada, which had imported and distributed Jesmar's Spanish dolls in the

United States. The Second Circuit agreed with the trial court that even though the Spanish dolls were legitimately trademarked, their sale in the United States caused consumer confusion as to their source amounting to a violation of Section 42 of the Lanham Act.

Original Appalachian in no way conflicts with the Ninth Circuit's opinion in this case, and would undoubtedly have been decided in the same way in the Ninth Circuit or any other circuit.

The Ninth Circuit in this case simply held that "Trademark law generally does not reach the sale of *genuine goods* bearing a *true mark* even though such sale is without the mark owner's consent." Petition, p. A-5 (emphasis added). In *Original Appalachian*, the infringing goods bore a true mark, but were found *not* to be genuine:

> "But as OAA notes and the district court concluded, the present case is distinguishable from the above cases because Jesmar's dolls were not intended to be sold in the United States and, most importantly, were materially different from the Coleco Cabbage Patch Kids dolls sold in the United States. There is a very real difference in the product itself — the foreign language adoption papers and birth certificate, coupled with the United States fulfillment houses' inability or unwillingness to process Jesmar's adoption papers or mail adoption certificates and birthday cards to Jesmar doll owners, and the concomitant inability of consumers to 'adopt' the dolls. It is this difference that creates the confusion over the source of the product and results in a loss of OAA's and Coleco's good will. Thus, even though the goods do bear OAA's trademark and were manufactured under license with OAA, they are not 'genuine' goods because they differ from the Coleco dolls and

were not authorized for sale in the United States." 816 F.2d at 73.

Original Appalachian is thus an ordinary infringement action, unlike the case at bar, where NECEL stipulated that the computer chips imported by Cal ABCO are genuine goods manufactured and marked by its parent company. Although NECEL attempts to analogize its warranty and quality control services to the English-language "adoption" papers attached to the domestically-produced Cabbage Patch Kids dolls, its analogy fails in the critical respect that no confusion over the source of a product is possible where those products are genuine.

Original Appalachian is also distinguishable, as indicated in the above quotation, because the Spanish dolls manufactured by Jesmar were not intended to be sold in the United States. There is *no* evidence in this case that the NEC Corporation computer chips purchased on foreign markets by Cal ABCO are not intended to be sold in the United States, despite NECEL's unsupported assertion to the contrary at page 29 of its petition. Indeed, the evidence shows the opposite: In 1983 and 1984, NEC Corporation went so far as to direct another of its wholly-owned subsidiaries, NEC America, to purchase NEC-marked computer chips from Cal ABCO for NEC Corporation's own use in manufacturing products in Japan. E.R. 32:1480.

El Greco Leather Products Company, Inc. v. Shoe World, Inc., 806 F.2d 392 (2d Cir. 1986), also involved the importation of goods that were found not to be genuine. There, El Greco contracted with Solemio, a Brazilian shoe factory, to manufacture 25,000 pairs of shoes bearing El Greco's trademark CANDIE'S. The shoes were to be shipped in lots after inspection by El Greco's agent, Sapatus, to assure that they met El Greco's specifications

and quality standards. Payment to Solemio could not be made under a letter of credit without a certification of inspection signed by Sapatus.

Due either to production delays or to quality control problems, El Greco cancelled the last two lots of shoes. Solemio, however, sold the shoes in these lots, with the CANDIE'S trademark, to defendant Shoe World, which started selling them in the United States.

The Second Circuit found a violation of Section 32 of the Lanham Act, on the grounds that Shoe World was selling non-genuine goods under El Greco's trademark, and that consumer confusion was likely. The court presumed the shoes to be non-genuine, regardless of actual quality, because El Greco had no way to inspect the goods prior to distribution and sale, as its contract with Solemio had not only permitted but required. Unlike the shirts in *Monte Carlo, supra,* the quality of which were ensured even before their manufacture or delivery (707 F.2d at 1058, n.5), the shoes in *El Greco* were not subject to any inspection for quality prior to their unauthorized sale.

Far from creating a conflict with the law in the Ninth Circuit, these two Second Circuit decisions vividly demonstrate the rationale of the *Bourjois* exception to the general rule that the parallel importation of genuine goods cannot constitute trademark infringement, and the reason why NECEL, as the American subsidiary of a foreign manufacturer of gray market goods, cannot come within that exception.

In both *Appalachian Artworks* and *El Greco,* plaintiffs were American companies that were the originators and sole owners of the trademarks in question, and the only entities with the incentive and right to protect their marks. Their marks were not assigned to anyone else;

they simply licensed foreign manufacturers to make goods for them under special circumstances, and had sole control over the quality, distribution and sale of goods bearing their trademarks. Lanham Act protection was designed for such plaintiffs.

In contrast, NECEL and others like it who are mere assignees of a mark used world-wide, do not require such protection because their foreign parents or affiliates own or control the world-wide use of the marks in question and, as the actual manufacturers of the goods, have complete control over manufacturing quality, not to mention their pricing, sales and distribution practices. The controlled subsidiaries have no power to dictate the practices of their overseas parents, or even to prevent their parents from competing against them in the United States.

Only in the unique *Bourjois*-type situation, where an entirely independent American entity purchases a trademark for use to the exclusion of the former owner, or anyone else in the United States, has Lanham Act protection been found to be available. That is for the reason that such an entity is, as a matter of practical reality, in the same position as the plaintiffs in *Original Appalachian* and *El Greco,* and entitled to the protection of the trademark laws.

CONCLUSION

The petition for writ of certiorari should be denied.

Respectfully submitted,

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August 17, 1987

PROOF OF SERVICE BY MAIL

I am a citizen of the United States and a resident of the City and County of Los Angeles; I am over the age of eighteen years and not a party to the within action; my business address is: 1706 Maple Avenue, Los Angeles, California.

On August 17, 1987, I served the within Brief in Opposition to Petition for Writ of Certiorari in re: "NEC Electronics Inc. vs. Cal Circuit ABCO Inc.," in the United States Supreme Court, October Term 1987, No. 87-125;

On the Parties in said action, by placing Three copies thereof enclosed in a sealed envelope with postage fully prepaid, in the United States post office mail box at Los Angeles, California, addressed as follows:

Robert B. Pringle
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Counsel for Petitioner

All Parties required to be served have been served.

I certify (or declare), under penalty of perjury, that the foregoing is true and correct.

Executed on August 17, 1987, at Los Angeles, California

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